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whatever happened to our wages?

Norman Atkinson MP

the anatomy of a wage packet 1938-68

ONE SHILLING

PREFACE

By good organisation and skilful negotiation the trade unions have won considerable gains for their members. Without the present strength of the trade unions, the disparities between wage earners and the more privileged sections of our society would have been far greater.

We are now on the verge of increased industrial activity to push ahead with wage claims. This pamphlet states clearly the position from which this push starts, and is intended to rebut the myth about how much wages contribute to price inflation.

Government policy and the reorganisation of British industry has led to an increase in productivity. The following facts show how justified the trade unions are in attempting to secure a proper and increasing share from such reorganisation.

AUGUST 1969 *NORMAN ATKINSON*

Whatever Happened To Our Wages?

Norman Atkinson, M.P. reports. . . . .

THIS PAMPHLET is not about the 'good old days' or the 'bad old days' although wage comparisons over thirty years will inevitably lead to controversy and bad memories.

It is a pamphlet about wages and their purchasing power over the period 1938-68. It is a report designed to show to what extent our values have been distorted and how much the unsuspecting worker has sacrificed as a result of unfair and ineffective methods pursued by successive governments to put right our balance of payments. It makes grisly reading.

'Whatever happened to our wages'—a question every trade unionist should ask—for the answers prove wages and politics go together. We must campaign on both fronts and thus strengthen the Labour Party's industrial base: otherwise we will again be at the mercy of the 'city' and its allies.

A world war, the Korean affair, Suez, and a succession of international monetary crises have rocked the British economy during the past thirty years. This year, at least, we will be in surplus—but at what cost—and will it last? Britain still lacks the productive capacity we need but it is our political accountants and not our engineers who are to blame for this. In other words our future prosperity depends on first getting right our economic priorities and our technology will follow.

Wage comparisons over a longish period are necessary if the economic effects of wage restraint are to be clearly understood. And so, for the purpose of examining the relationship between wages, economic growth and the balance of payments it is necessary to take a period which spans the gap between over-production, as in the thirties, and the chronic under-production of today. Hence 1938-68 is about right to enable a serious study to be made.

It will be evident from the following Tables that some wage earners have suffered a drop from their 1938 living standards whilst others have made little or no progress, but this is not to deny that the quality of life has improved immensely. Of course it has!

Britain has made tremendous advances over the last thirty years and in consequence our living standards have gone up. But a more precise scrutiny will reveal that it is total family income and not individual wage packets which now offer the above-average wage earner a decent house and perhaps a motor car.

Indeed it is clearly apparent that overtime—and maybe a spare-time job—together with wives going out to work and the comparative high earnings of teenage children which, if added together, make feasible the blown-up image of a T.V. family surrounded by electrical gadgets, a motor car, and expensive holiday brochures. In reality, however, the average wage earner today—with a small family to keep and depending on his own wage—is desperately near the 'bread line' and suffers the kind of poverty which denies him and his family even the simple pleasures of life.

Because the argument is about productivity, prices and incomes it is essential to examine individual wages and not family incomes. Hence my comparisons over the years relate like with like and compare each job and its wage rate with exact equivalents. In this way it is possible to assess whether or not successive post-war governments have been justified in severely restraining the level of consumer demand in their efforts to get a balance between imports and exports. Such policies have persisted since 1948 although it is only in recent times that the government of the day has spoken openly about the deliberate raising of domestic prices in an attempt to cut imports and release more goods for export.

In regard to wages the position is fascinating particularly for students of psychology: prior to 1964 the Tories took endless trouble to conceal from workers the 'system's' natural aggression against wage increases and meticulously apologised like gentlemen even when nurses' wages were axed. Not so with Labour: with augmented wind and brass George Brown convinced every worker he was in for a raw deal, although subsequently the figures proved otherwise. In fact from 1960 to 1964 wages rose above prices by 10.3% and from 1964 to 1968 real wages went up by 11.8% therefore under Labour workers did marginally better (Hansard 10.2.69 Cols. 207 & 208). But unfortunately the by-election results prove people are no longer listening.

The reasoning behind Treasury thinking is not always clear but it is fair to conclude that the preservation of capitalist democracy, with the balance tipped slightly in favour of capital, is the basis upon which they work. And since both government and its international advisers are hostile to the idea of import selectivity and domestic price supervision (two essential aspects of a high growth rate policy) the government team (with the honourable exception of economists like H. F. R. Catherwood) see no alternative to a 'safe' or slow growth rate. It is not difficult therefore to appreciate the intense pressure put upon governments to resist any or all alternatives which do not fit a restricted growth concept, thus the consequential necessity to restrict consumer demand inevitably puts high on the list the question of wage restraint, tax-led price increases and a 'wider margin of unused resources' i.e. a higher rate of unemployment. Unfortunately the whole theory is upside down as the cyclical behaviour of 'stop-go' policies show when, even towards the end of a deflationary run-down pressure on prices starts to build up. We must always recognise, of course, we are living in an economy 75% of which is still motivated by private interests, and although faster growth proportionately cools price rises and compulsive importing, physical intervention in both aspects remains neccessary to prevent the price/import explosion always present once growth rises above a domestic equilibrium. Full employment signifies under-production and rising demand and even a stimulated growth rate would not have sufficient productive surplus to stabilise prices of its own accord.

The orthodox theory of price inflation and increased imports is simple enough, i.e. if the goods and services available total 100 and demand equals 105 then prices and imports combined will rise by a total of 5. But the answer is not to restrain wages whilst at the same time pushing up prices by increased taxation, higher interest rates and restricted credit in the hope that, by damping down demand, supply will somehow catch up and correct the process. It won't! Except initially. For the very good reason that output (supply) stagnates each time the growth rate is flattened and the worker is made to make-do with his old machine one year longer. Our experience since the fifties shows that each succeeding crisis gets progressively more difficult mainly because the remedial measures, although rectifying in the short term, become counter-

productive in the longer term. On the one hand workers quite rightly put in for more wages as prices rise whilst those who can't, draw on savings. The net effect is an increase in money whilst at the other end of the 'equasion' the measures slow down an already poor growth rate with the result that domestic goods and services available remain at 100 and demand increases to 110—thus on the second time round the rate of inflation accelerates from 5 to 8 and imports move up 2 to satisfy the residual demand.

This example obviously over-simplifies what is a very complex problem but it illustrates how the worker is compelled to forego his share of any increased production by having to subsidise the 'corrections'. Further evidence as to the size of a worker's 'sacrifice' can be gleaned from the way in which the 'national incomes cake' is divided. Not forgetting that pre-war Britain suffered mass unemployment and low wages it is remarkable to find that the percentage of total personal income going to wages and salaries (before tax) in 1938 was 55% yet in 1967 the figure had moved only to 63% whilst the total working population had increased by 41% since 1938 (17.4 million to 24.5 million). These figures include a rise of 91% in the number of women in full-time employment over the same period (4.6 million to 8.8 million). For wage and salary earners the conclusion must be one of alarm, nevertheless the fashionable practice of turning wage truths on their head is at least exposed.

Cost of Living . . .

and the Index of Retail Prices

"It is important to understand that the index is an index of price changes and not a cost-of-living index. It does not measure changes in the kinds and amounts of goods and services people buy or in the total amount spent in order to live, nor does it measure differences in living costs between different localities."

Quote from the Ministry of Labour booklet on Method of Construction and Calculation of the Index of Retail Prices, 1967.

OVER THE YEARS the most frequent slander levelled against wage earners is that they have used their bargaining strength irresponsibly and have demanded from the nation a higher living standard to

that which they are entitled. The illusion is certainly deep-rooted and is no doubt responsible for the alleged support claimed by opinion polls for anti-trade union legislation.

What are the facts?

Before looking at the wages record it is necessary to establish how much money wages are worth in terms of purchasing power. Let us again go back to 1938 when, to use Whitehall's favourite expression, supply was in excess of demand. The Government, using the Index of Retail Prices as a guide, says that the purchasing power of 20/- in 1938 had dropped to 5/5d in 1968. In other words the cost of living has increased 270% over 30 years. (*Hansard* 28.1.69 *Col.* 1086). To a major extent this figure is a matter of opinion and is dependent on the 'weights' used when the Cost of Living Advisory Committee periodically review the Index of Retail Prices.

The Index started in 1914 but the first major review did not take place until 1947 when the revised 'weightings' were based on a Family Expenditure Survey undertaken in 1938. Unfortunately much of the material differs from national consumer statistics, with the result that the Index tends to understate the true increase suffered by manual workers. For example, in 1938 the average adult consumed 2/1d worth of tobacco and 3/4d worth of drink per week (*National Income and Expenditure of the U.K.* 1938 *H.M.S.O.*) yet the consumers involved in the pre-war survey were reluctant to admit to either. With the result smokers and drinkers have suffered a disadvantage ever since.

To illustrate the problem of constructing a satisfactory Index, take a family buying a house, running a car and who drink and smoke: their cost of living will have rocketed out of all comparison to a health-conscious family living in a rent-controlled tenancy. The point is: it is just not possible to design a method of assessing the value of money for all families. Therefore national averages, no matter how infuriating they are, have to be used by the government.

A much more realistic method, however, of comparing wage standards is to carefully compile a basic family budget as it was in 1938 and place alongside it an exact copy at 1968 prices. Using this method a fair judgement can be made as to whether a worker doing

exactly the same job in 1938 is any better off today and whether he has used his bargaining power irresponsibly. Such a budget is set out in Tables 1 & II and it will be seen that the cost of basic necessities (exact equivalents) has risen approximately 371%, as against 270% which is the official Index figure. The figure 270% can be described as the 'weighted' rise in retail prices, whilst the figure 371% can perhaps be considered the rise in the cost of living for a family of two adults and one child earning average wages.

TABLE I

Changes in Retail Prices 1939/1969

Food and General Groceries	1939	1969
	s. d.	s. d.
Beef (home killed) back ribs per lb.	1 1	5 1
Lamb (home killed) leg per lb.	1 2	5 8
Bread 3½ lbs.	7	3 2
Milk per pint	3	10½
Potatoes 7 lb	6	2 11
Apples 1 lb	4	1 10
Oranges 1 lb.	2	1 4
Cheese 1 lb.	10	3 2
Tea 1 lb.	2 8	6 4
Granulated sugar 2 lb.	8	1 6
Butter 1 lb.	1 7	3 0
Margarine 1 lb.	8	2 8
Bacon (back) 1 lb.	1 9	6 2
Eggs each	2½	4
Sultanas 1 lb.	8	1 11
Blackberry jam 1 lb.	9½	2 5
Self-raising flour 3 lbs.	9½	1 10
Marmalade 1 lb.	7	1 9
Butter beans 1 lb.	6	2 4
Syrup 2 lbs.	1 0	2 10
Table salt	2	5
Toilet rolls	4½	1 1
Canned pears (large)	9½	2 9
Canned salmon 1 lb.	1 4½	9 0
Matches 1 doz.	10½	3 0
Hard soap	4	1 8
Toilet soap	3	1 2
Boiled sweets 1 lb.	8	4 0
Mixed pickles 16 ozs.	9½	1 8
Shredded Wheat	7	1 9½

Sources: *Information supplied by Grocery Administration, London Co-operative Society Limited; Ministry of Labour Gazette, Sept.* 1941.

TABLE II

Typical Weekly Budgets 1938/68

Showing the amount of 'take-home' pay required to maintain exactly the same living standard over period of 30 years.

The table also shows the maximum stoppages to be expected by a wage earner with wife and one child (under 11): an indication of wage equivalents 1938/68 and their purchasing power.

Sources: Traders' lists; Tottenham and Edmonton Weekly Herald; London Co-operative Society Limited; Ministries concerned; London Borough of Haringey.

	1938	1968
	s. d.	£ s. d.
Rent, rates and water (same two-bedroom dwelling in a London Borough)	15 7	4 3 6
Food:		
Bread and cereal products	3 4	17 8
Bacon and ham	1 9	6 2
Meat, poultry and pork	4 6	1 1 6
Milk (7 pints)	1 9	6 2
Butter, margarine, cooking fats	2 3	5 8
Cheese (1 lb.)	10	3 2
Eggs (½ doz.)	1 3	2 0
Tea (¼ lb.)	1 4	3 2
Sugar (2 lbs.)	8	1 6
Vegetables (exact equivalents)	3 6	18 6
Fruit (exact equivalents)	2 4	13 6
Other foods (exact equivalents)	5 6	1 1 0
Fuel and light:		
Gas (2 therms) (1938 2 therms @ 8.6d per therm = 1/5d 1968 2 therms @ 27d per therm = 4/6d)	1 5	4 6
Electricity (50 units) (1938 50 units @ 1.064d per unit = 4/5d 1968 50 units @ 1.848d per unit = 7/8½d)	4 5	7 8
Coal (1½ cwt. best nuts) (Coalite 1938 59/6d. per ton)	3 2	1 0 3
Clothing and footwear (exact equivalents)	4 0	1 3 6
Cigarettes (140 Players Medium)	6 9	2 0 3
Beer (7 pints bitter)	3 6	16 4
Public transport (single journeys equal distance)	3 0	14 3
Household:		
Soaps, polishes, etc.	2 2	10 9
Durables (exact equivalents)	4 10	1 5 6
Newspapers and weeklies	11½	4 6
	£3 18 9½	£18 11 0
National Insurance and Graduated Pension contribution	1 2½	1 4 8
Income Tax (P.A.Y.E.)	nil	2 16 0
	£4 0 0	£22 11 8

Turning to the question of individual wage earners' living standards the astounding thing is how little they have moved over the years, especially if judged only by the personal consumption of food, drink, tobacco, clothing and footwear. In 1938 total consumption of these goods amounted to £2,195 million shared among a population of 47.5 million. By 1967 the population had risen to 55 million and (household) consumption to £10,758 million. At constant prices this means an increase of only 15% per head over the period 1938-67.

Obviously the biggest increase in consumer spending is in durable goods such as cars and household equipment (brought about by the increase in family incomes) and because their price is high compared with average incomes governments can exert considerable influence over spending patterns by adjusting H.P. arrangements and raising interest charges. Yet by choosing this method of consumer management governments cannot avoid hitting hardest those they may wish to assist.

The irrefutable conclusion one must reach is that trade unionists consume nothing like the amounts credited to them by their critics, and that far from ruthlessly using their collective strength they have fallen victims to the 'system'. Not only have they failed to take advantage of their strength, they have also failed to take their just rewards for their increased productivity.

Before moving on to deductions from wages and 'take-home pay' brief reference to indirect taxation is essential if a fair assessment is to be made of the redistribution of income and the social wage.

Again using an average family budget *(Table II)* it will be recognised there is in this particular budget a higher proportion of indirect tax because things like tobacco, which carry a high tax, are included. (*For instance a pub customer when ordering a pint of beer, a whisky and twenty Players Medium would pay* 10/9*d out of which* 6/5*d would be deducted for tax.* 1968.)

Whilst there are no statistics available concerning the effects of S.E.T. on prices, estimates can be made assuming that the tax is carried through to the retail price (*Hansard* 26.3.69 *Col.* 310). Similarly estimates can be made for other taxes on goods at inter-

mediate stages, and if the same methods are used as in The Report on Taxes and Social Service Benefits 1967 (*Economic Trends No.* 184) a fairly accurate final assessment can be made of all indirect taxes.

In the family budget quoted (*Table II*) weekly expenditure in 1938 amounted to £3.18.9½d. out of which 10/3d was indirect tax (including 4/10d local authority rates). In 1968 out of a weekly expenditure of £18.11.0d some £3.19.4d is estimated to be indirect tax (including rates less rebates). For this average family of two adults and one child their total tax contribution would be £8 (35%) out of a gross wage of £22.11.8d (1968) whilst in 1938 total tax would be 12/6d (16%) from a gross wage of £4 per week.

Compared with countries overseas it could be argued Britain is not heavily taxed but the level of indirect taxation imposed upon average wage earners is extremely high and trade unionists should carefully take note of Mr. Heath's declared intention to reduce indirect tax benefits if given the opportunity.

Wage Deductions

Income Tax and National Insurance Contributions 1938-68

TABLE III shows that the great majority of those working in 1938 were exempt from paying direct taxation. Since then the level at which people start paying tax has been steadily lowered to the extent that in 1968 a family could be living in comparative poverty and still have had to pay tax. Although there are some redistributive elements within the tax system (*see social wage*) examination of the amounts paid at the lower end of the wage scale demonstrate the regressive character of the system and are a major factor in the widening gap between 'penny conscious' families and the 'comfortably-off'.

TABLE III

RATES OF INCOME TAX AND ALLOWANCES 1938/68

	1938	1968
Standard rate	5/6d	8/3d
Reduced rates	First £135 @ 1/8d	First £100 @ 4/–
		Second £200 @ 6/–
Earned income relief	1/5th	2/9ths
Personal allowance, married couple	£180	£340
First child under 11 years of age	£60	£115

Source : Key to Income Tax—Taxation Publishing Co.

National Insurance

IN 1938 a man over the age of 21 paid a national health insurance contribution of 4½d per week plus an unemployment insurance contribution of 10d making a total weekly contribution of 1/2½d. Thirty years later (1968) a man over the age of 18 (Class 1) earning more than 120/- per week paid a total flat-rate contribution of 15/8d per week. The amount was made up as follows : Health Service 3/4d; Industrial Injuries 10d; National Insurance 11/6d. In addition (unless paying into a private pension scheme) workers must also pay a graduated contribution based on earnings, and in the case of a man earning between £21 and £24 per week the graduated amount was 9/–. Total cost per week £1.4.8d. (*Guide to Social Security Nov.* 1967 *H.M.S.O. National Health and Unemployment Acts* 1935 & 36).

Redistribution of Income and the Social Wage

A POPULARLY-HELD VIEW, especially among liberally minded people in the higher income groups, is that high taxation is partially justified on the grounds there is a massive redistributive element in the tax system. Recent studies, however, reveal this to be largely illusionary—unless of course things like Defence are considered part of the social wage. Moreover, since 1938 the gap would seem to be widening between those able to pay and those who, although still working, are in need of income assistance. This latter point does not include households with pensioners or those with four or more children. The trend for them is 'all to the good'.

Unlike previous chapters the most suitable unit for a study of this kind must be total 'household' income as distinct from individual wages. This is so because a large proportion of taxable expenditure is incurred on behalf of all members of the family. Such studies have been made in recent years and the results published. A difficulty arises unfortunately when trying to extend the analysis over a much longer period because comparable statistics are not available for pre-war years. However, another method can be used (although less accurate than contemporary statistics) by dividing up aggregates and proportioning both taxation and benefits

accordingly. Using this latter method experimentally it was found to correspond reasonably well with the estimates taken from the Family Expenditure Surveys carried out by the Department of Employment and Productivity every year since 1957. On this basis it is therefore fair to assume that in 1938 a household unit comprising two adults and one child, earning £180-£200 per year, would have paid on average direct and indirect taxes totalling 10% of their income, and that they would have expected to receive on average benefits totalling 18% of their income. Compare this with the following Table giving figures for later years and, allowing for increased incomes, it will be seen that the redistributive element is not progressively biased in favour of lower incomes. Therefore the social wage can be generally disregarded when comparing incomes, except to acknowledge the marginal deterioration for those around average earnings.

TABLE IV

THE SOCIAL WAGE AND ITS COST

Range of Household Income per Year	Percentages of Income for family of two adults and one child.					
	1961		1964		1967	
	A.	B.	A.	B.	A.	B.
£ 559 to £ 676	28	17	29	23	38	40
£ 676 to £ 816	28	13	31	18	35	25
£ 816 to £ 988	28	12	31	14	38	20
£ 988 to £1196	29	10	31	12	35	16
£1196 to £1448	29	9	29	9	35	13
£1448 to £1752	29	6	31	9	34	10

Col. A. = Total taxes paid (including N.I.) expressed as a percentage of total household income.

Col. B. = Total benefits received, both cash and in kind, and expressed as a percentage of total household income.

Source: "The Incidence of Taxes and Social Service Benefits" Economic Trends No. 184 *H.M.S.O.*

Note Total taxes include income tax, national insurance, Customs & Excise duties, and all indirect tax including Purchase Tax.

The years 1961-67 have seen purchasing power drastically and mistakenly taxed in an effort to deflate demand. What then has been its effect on the social wage?

To give one example : two adults, one child, with a total income of £900 per year in 1961 would pay £252 (28%) total taxes and expect

to receive an average £108 (12%) total benefits in return. Remaining in the same job their annual income would have increased to £1,250 by 1967. Their total taxes paid would have gone up to £437 (35%) whilst their expectation in benefits would amount to £162 or 13% of their income. Tax-wise therefore they would have lost out considerably over seven years.

This example graphically illustrates the enormous job to be undertaken by a future Labour Government if this whole trend is to be reversed and decisive steps taken towards a more egalitarian society.

The Cost of Housing and Wage Values 1938-68

WITH VERY FEW EXCEPTIONS, Britain's post-war millionaires have derived their vast wealth from property speculation. It is not surprising therefore that the housing of families and typewriters has been the greatest single factor in raising the cost-of-living to its present level. Nor is it surprising to learn that building workers wages have not played a major part in escalating costs. In fact the reverse is true. In 1938, for the average semi-detached house, wages amounted to about 55% of the total cost of the house. Today, even though some wages have risen slightly more than five times, the proportion of wages to the total costs has dropped to around 35%. But significantly it is not the building worker, the house purchaser, or the tenant who has received the benefit—it is the builder and the financier.

Buying a House 1938-68

THERE ARE MANY examples of how the cost of house purchase over the years has escalated. Take two typical freehold semi-detached houses built in 1938 in North London and compare the cost of purchase between then and now. In both cases the repayments are spread over 25 years, but in the 1938 figures the legal charges are included whilst the extras (up to £150) are excluded from the latter figures. The interest charges have risen 5½%. The Building Societies Association show the average cost of a new house for sale in 1967 as £4,283 (including land).

TABLE V

TWO EXAMPLES OF HOUSE PURCHASE

House No. 1

	1938	1968
	£ s. d.	£ s. d.
Price freehold	490 0 0	3,700 0 0
Deposit	40 0 0	550 0 0
Weekly repayments	13 3	5 18 6
Paid over 25 years	827 0 0	8,275 0 0
Tax relief (standard rate)	Nil	1,458 0 0*
Net cost of house	827 0 0	6,817 0 0
Rates (weekly)	4 6	1 4 6

House No. 2

Price freehold	660 0 0	4,750 0 0
Deposit	50 0 0	475 0 0
Weekly repayments	16 6	8 1 6
Paid over 25 years	1,117 0 0	10,975 0 0
Tax relief (standard rate)	Nil	1,979 0 0*
Net cost of house	1,117 0 0	8,996 0 0
Rates (weekly)	5 0	1 6 6

Sources: Information supplied by Estate Agents and press.

**Hansard* 25.7.69 *Col.* 602

Renting a Council House

THE AVERAGE COST of constructing a 3-bedroomed Council house has jumped from £420 in 1938 to £4,178 in 1967. The London Borough of Haringey is typical of most housing authorities in the South East and offer an average rent comparison for London. In 1938 a two-bedroom flat had an inclusive rent of 15/7d per week whilst in 1968 the same flat had increased to £4.3.6d. weekly. Oddly enough the values for houses (as distinct from flats) are somewhat different : the inclusive rents being 17/1d and £3.9.4d for the years quoted. However, practically all Councils throughout the country now operate rent rebate schemes which have effectively reduced the enormous disparity between the averages of Scotland's 20/- per week and London's £4 per week.

Renting a Private House

THE RENT ACT 1965 has repaired most of the damage done by the earlier 1957 Act, although in London and the West Midlands tenants still suffer inflated rents despite the fact that the majority

are now regulated by Rent Officers and Rent Committees. Unfortunately in the areas of greatest scarcity a 'fair' rent is still much 'fairer' for the landlord. For instance, in North London a 3-bedroom terraced house (no bath, no hot water, outside W.C.) has an inclusive weekly rent of £5.5.6d fixed by the Rent Assessment Committee. In 1938 the inclusive rent for this same house was 15/3d per week. Taking the country as a whole, however, the Labour Government has slowed the escalation in rents which, happily, means that wage increases over the last five years have narrowed the gap slightly between the proportion of wages taken for rent in 1938 and the larger proportion of 'take home pay' put aside for housing in 1968.

Wages—

Are Wage Earners Getting Their Fair Share?

Although opinions vary as to how the figures should be computed, it is reasonable to assume a 73% minimum increase in output over the period 1938/68. This figure is assessed on the assumption there were no output credits at the end of the period 1938/48 due to the war. Of the period 1948/68, taking 1948 as 100, G.D.P. (at factor cost/constant prices) rose to 173 by 1968 (73% increase). That being so, and taking the cost-of-living increase as assessed in Table II, a worker should consider his minimum wage entitlement in 1968 to be an increase of 445% on 1938. This would mean of course, for a man, wife and one child an increase in gross earnings of about 538% if parity with 1938 is to be maintained plus something for increased productivity.

Teachers

THE SALARY POSITION of school teachers is worst of all. Probably they have suffered a greater drop than any other section of workers. A non-graduate in a Secondary post under Scale III salary in 1938 would have a minimum of £186 and would reach £294 after 10 years' service. The corresponding position in 1968 (i.e. under the 1967 Burnham Report—after 10 years' service) is £1,290. (*Source : Dr. S. E. Barnes, National Union of Teachers*).

Put as a weekly wage this means that an experienced teacher earning £5.12.6d per week in 1938 has had his salary increased only 339% bringing it up to £24.16.0d per week in 1968. If ever there was a justifiable case for stopping the whole of education until the injustice is put right—this is it! Although this report deals only with 1938-68 an increase has been paid in 1969 but a '10-year' teacher is still worse off than he was in 1938.

Ford Motor Workers

EARLIER THIS YEAR a strike at the Ford Motor Company caused much concern in Parliament. When M.Ps were told that Ford workers were worse off than they were before the 'war' there was loud laughter! Here are the facts.

TABLE VI

FORD MOTOR COMPANY MAXIMUM HOURLY EARNINGS (MEN)

GRADE	1938	1949	1968
B	2s. 0d.	2s. 8½d.	9s. 9½d.
C		2s. 10½d.	10s. 3½d.
D		3s. 3½d.	10s. 9½d.
E	2s. 7d.	3s. 7½d.	11s. 3½d.

Source: Information supplied by A.E.F. (Production Studies Department) and confirmed by actual pay-slips for 1938.

If the cost-of-living (Table II) has gone up by 371% and Ford hourly earnings (maximum rate) has gone up 337% surely they are worse off!

In 1938 the best rates at Fords (they never worked piecework) were 2/7d per hour and were about the same as the average skilled earnings in the Coventry area most of which was then, and still is, piecework. Today this average is carefully compiled and is called The Coventry Toolroom Agreement (C.T.A.). In April 1968 the C.T.A. stood at 14/10½d per hour and if Ford workers at that time had attempted to restore their pre-war comparability with Coventry they would have needed an increase of 3/7d per hour or 31%. Over 30 years the Coventry average has increased 480% which suggests that pieceworkers have done much better than those working, like Fords, under 'measured day-work' systems. Rootes workers who have recently signed such an agreement should watch the position carefully if they wish to avoid the Ford

experience. The car pieceworkers' League table is as follows: —

TABLE VII

THE MIDLANDS MOTOR INDUSTRY—LEAGUE TABLE

Average Weekly Earnings for Skilled Fitters & Turners, June 1968

Morris Motors Limited, Birmingham	£33.16.6d.
Rootes Motors, Ryton, Coventry	£33. 3.8d.
Morris Engines, Coventry	£31. 0.0d.
Pressed Steel Fisher, Erdington, Birmingham	£30.12.6d.
Morris Motors Rads., Oxford	£30. 7.4d.
Standard Triumph, Coventry	£30. 0.0d.
Pressed Steel Fisher, Washwood Heath, Birmingham	£29. 0.2d.
Rover Limited, Birmingham	£27. 2.9d.
Austin Motor Company, Birmingham	£27. 2.0d.
Pressed Steel Fisher, Oxford	£26. 8.4d.
Morris Motor Cars, Oxford	£25.10.0d.
Joseph Lucas Ltd., Marston Green, Birmingham	£24.13.7d.
Joseph Lucas Ltd., Formans Road, Birmingham	£24. 0.0d.

Source: Information supplied by A.E.F. (Production Studies Department)

Note: Since June 1968 *new pay and productivity increases have decreased the gap between Alvis Limited and the others.*

Rootes Motors changed over from piecework to measured day work June 1969 *giving production workers* £34.16.8d. *for* 40 *hour week. Average earnings Alvis Ltd. (June* 1968*)* £44.15.10d. *Number of hours worked not known.*

Bus Drivers and Postmen

LONDON BUSMEN, like policemen, are well known to visitors but, unlike policemen (who get rent allowances and thereby off-set some of the biggest price rises) busmen's wages have not done too well. In fact they are another category of those who are no better off than pre-war.

In November 1938 a London bus driver started at £4.2.6d rising to £4.10.0d per week after 18 months' service. In 1968, for a 40

hour week, his total earnings were £21.1.0d including full bonuses after 12 months' service (*Source*: *London Transport Board P.R.O. Oct.* 1968). His rise, therefore, for a basic week over a 30-year period is equal to 368%, just less than the increase recorded in Table II. To improve on his pre-war earnings the bus driver now has to work overtime and possibly averaged, in 1968, the same number of hours worked pre-war.

The postman (inner London) is not much better, having gained a rate in 1938 of £3.15.0d per week and climbed to £18.5.0d (387% increase) 30 years later. (*Source*: *Research Dept, Union Post Office Workers*).

Postmen are dependent upon overtime if they wish to exceed their 1938 standards but successive Postmaster Generals openly boast of tremendous productivity gains over the years, as undoubtedly there have been, so despite the 5d post it seems that practically the whole of it has been passed on to the consumer.

Turning to industrial workers generally the position is a little brighter. The national average wage (earnings) went from £3.9.0d per week in 1938 to £22.5.0d per week in 1968, an increase of 545%. But it should be remembered that living standards, in the main, depend upon 'take-home pay' and the following League Table indicates how workers in the various industries have fared. (*For the purpose of calculating wage deductions an average family of two adults and one child has been used throughout*).

Economists too should recognise that consumer pressure, or 'demand' is 'take-home pay' and it will be seen that industrial workers are a point or two within the consumption level to which they are entitled. Indeed they are a long way back from the 'grab-all' concept which arouses such synthetic outrage whenever an industrial dispute occurs.

TABLE VIII

AVERAGE WEEKLY EARNINGS—LEAGUE TABLE

Industry Group Manual Workers	Average Weekly Earnings Including Overtime & Bonuses		Take-home Pay for two adults and one child		
	1938	1968	1938	1968	% increase
Textiles	2.17.3	20. 7.0	2.16. 0	17. 0.0	507
Brick. Pottery and Glass	3. 3.2	22.11.0	3. 2. 0	18.10.0	497
Building Construction	3. 6.0	22. 6.0	3. 4.10	18. 7.0	466
Chemicals, Paint, Oil	3. 9.3	23. 8.0	3. 8. 0	19. 2.0	462
Transport	3.10.0	22.19.0	3. 8.10	18.16.0	446
Clothing and Footwear	3. 4.3	19. 6.0	3. 3. 0	16. 6.0	417
Paper, Printing	4. 4.3	26. 2.0	4. 3. 0.	20.18.0	404
Engineering (Excluding Vehicles	3.15.0	22. 4.0	3.13.10	18. 6.0	395
Food, Drink, Tobacco	3. 5.3	21. 5.0	3. 4. 0	17.13.0	377

Sources : Ministry of Labour Gazette, December 1941. *Statistics on Incomes, Prices, Employment and Productivity DEP. No.*27 *Dec.* 1968.
'Take-Home' pay asssessed by the Author

Another way of looking at this is to find out how long it takes a worker to earn sufficient to purchase retail the products he produces. Certainly coal miners should ask Lord Robens why in

1968 it took an underground worker one hour to earn enough to buy retail one cwt. of best coal—the same as it did in 1938. Or why a cabinet maker still has to work one week (same 1938-68) to earn a cabinet of identical specification. Even worse, why a skilled building worker has to work 75% more hours in 1968 to earn sufficient to purchase new the same kind of semi-detached he built in 1938. The list is endless and is further proof the industrial worker is taking less than his rightful share.

The Theory of Wage Differentials

VERY OFTEN lower paid workers rightly complain that a same percentage wage increase all round weakens their own position and widens the gap between themselves and higher paid workers. Usually they are reassured this is not so and if the percentage increase is constant so the differential remains constant. This is true mathematically but not in terms of purchasing power. What happens is this :

Example : two workers unskilled and skilled have wages £12 and £15 respectively. Their differential is 12 over 15 = 0.8. Both get wage increases of 5% per year over 10 years and their wages increase to £19.11.0d. and £24.9.0d. Their differential remains the same : 19.55 over 24.45 = 0.8 but in money terms the difference has moved from £3 to £4.18.0. and over many years it is clear why some differentials now appear to be enormous although theoretically they remain the same. If wages rise more than prices over the same period the differential will increase in purchasing power. Lower paid workers therefore should always negotiate a higher percentage increase in order to maintain their position money-wise thus correcting a most worrying trend.

The effect of Wage Increases on Prices in Manufacturing

DIRECT LABOUR COSTS vary considerably from industry to industry and indeed, between factories in the same industry. Much depends on how capital intensive the process of manufacture is or to what extent labour is fully utilised. Unfortunately for us in Britain our efficiencies are not high and in consequence a larger proportion

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of our wage increases in manufacturing are passed on to the final price than is the case in the U.S.A., West Germany, and Japan.

Dr. D. F. Galloway, on behalf of the Production Engineering Research Association, recently conducted an enquiry and found that the percentage costs of labour for a light engineering factory, a footwear factory, and a woodworking factory were 24%, 20% and 19% respectively, but when one considers there are 90,000 separate establishments in manufacturing it is easy to appreciate the wide diversification which must exist. The point is, the average figure usually quoted for manufacturing is 30% and may well be right—if it is—then it is safe to assume that a 1.5% increase in prices will cover a 5% wage rise. On the basis of our post-war experience, therefore, workers in manufacturing have certainly left sufficient of their increased output for distribution elsewhere in the economy, unless of course boardroom priorities place the needs of shareholders before the consumer.

Some Conclusions—and the need for price supervision

THE BANK for International Settlements (Basle) published their 38th Annual Report on 10th June 1968. Sir Leslie O'Brien, Director of the Bank of England, is also a Director of B.I.S. and presumably agrees with the Report. Moreover he usually reflects the views of the 'City' and similar interests.

The Report states that the British economy has suffered from (a) over-full employment, (b) out of date labour laws; (c) lack of labour discipline; (d) excessive wage increases. Various other international economists take the same view, particularly those concerned with loaning money to Britain. The preceding pages in this pamphlet will, I hope, help destroy the premises upon which these highly irrational and irresponsible analyses are founded.

Such then are the pressures on the Government and if allied to the deeply embedded slow-growth concept propagated along the length of Whitehall, it gives some idea of the formidable task which must be undertaken if T.U.C. advocacy of a 6% growth rate and free wage bargaining is to become a reality. But reality it must be if wage earners are to make progress.

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Over the last nine years, and under four different Chancellors each pursuing different policies, the economy has lurched desperately from one crisis to another confirming the view that if the basics are not right an occasional 'touch on the tiller' is useless. Obviously class interests are involved—and the basic principles chosen by Labour must further the interests of those it seeks to represent.

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It is not the intention to set out here a whole economic strategy —that has been done elsewhere. Nor is it the intention to duplicate the arguments linking the inescapable need for import selectivity with a higher rate of economic expansion.

The most crucial question and the final one for this pamphlet seems to be: can Britain sustain a fast growth rate with full employment and yet keep prices stable without resorting to wage control?

The answer is yes if lingering 'free market' concepts are replaced by an imaginative combination of price supervision and productivity bargaining. All agree that increased productivity—high wage/low unit costs are the way ahead. Why not use the natural forces of free collective bargaining to inject a truly dynamic character into productive innovation and the need for continual new investment? If wage demands were negotiated against agreed price maximums it would compel employers to either create increased productive potential to cover the wage rise or concede wage demands at the expense of future dividends. There could be an element of both, in which case the twin policies of increased productivity and income redistribution are both honoured.

If flexibly and intelligently managed, price supervision could be a major factor in boosting growth alongside its principle function of disciplining the price mechanism. All this of course, in the main, applies to manufacturing but similar techniques could be used in the service industries. Similarly retail prices need an incentive to remain stable and this could be achieved by inviting suppliers to apply for the right to stamp their goods with an insignia indicating Government approval of their price and quality.

Such a distinction would be eagerly sought after by manufacturers especially if the endorsing criteria remained at a high standard, and would certainly give housewives an opportunity to practice their price consciousness. Trade unionists would also be assured their extra productivity was not again being taken away.

Tailpiece

IN CASE READERS have gained the impression everyone has suffered alike over the years, let me quote from Mr. Philip Clarke, Sunday Times, 20th April 1969 "Miss X (*name given*) has, at current selling prices, £5,528 worth of Save and Prosper's Investment Trust Units. The story of how they grew and grew is like a Unit Trust ad. come true. In January 1939 she bought 290 units for £199.7.6d. In 1946 she bought 100 more. They cost her £88.2.6d. . . . Miss X now has 21,060 which, at 5/3d each tot up to £5,528". She could have had a lot more had she re-invested the income. "I give a lot of it away to charity," she explains.

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Branch Secretary,
Sign Display Section
Natsopa.

Dear Bill,

Please find enclosed a copy of a letter I have sent to MrCampbell McDonald's Buchanan Street Glasgow....further copies have been forwarded to Jim Moffat, and John McCormick, McGavigans, he being the acting chairman on the occassion this distrubing situation arose.

Whether it was intentional or not, it is unfortunately that Jim should have waited until I made my appeal to the Branch meeting regarding my long term unemployment, before he made his somewhat devious statement about"certain" people making offers of employment, and how this had been either refused or ignored by Walter Morrison, and that we could talk about it in private after...Jim has known my position for months now, why didn't he say this when he talked to me before the meeting...one can only assume my position is causing some embarrassment and not something that should be discussed openly at formal Branch meetings...for there can be little doubt that the implication of Jims statement to the members was that when job opportunity arose they are either ignored or rejected...certainly an easy way to discredit a demanding worker...but what a disgraceful distortion of the true facts.

I must confess that while I have the greatest respect and loyalty for our organisation there does appear at times undue complacency verging on extreme mutual admiration....there is nothing to be proud about in the McCormick affair where members have had to wait more than eighteen months to have a matter settled by the courts...and where a shop steward and elected excutive member was thrown on the dole, for no other reason than that he conducted the business of his members in strict accordance with the unions basic prihciples.

The situation at Stimurs is a further example of atrocious communication between the various sections of our organisation, it is no secret despite brave words about the Industrial Act being irrelevent,all reports indicate that it is working well for the